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September 1, 2005

Mr. John H. Robertus
Executive Officer
California Regional Water Quality Control Board
San Diego Region
9174 Sky Park Court, Suite 100
San Diego, CA 92123-4340

File No. 039644-0001

Re: SETTLEMENT OFFER FOR COMPLAINT NO. R9-2005-0062 FOR
ADMINISTRATIVE CIVIL LIABILITY AGAINST METROPOLITAN
TRANSIT SYSTEM AND DEVELOPMENT BOARD FOR VIOLATION
OF STATE BOARD ORDER NO. 99-08-DWQ (WDID NO. 937S315837)

Facility: MISSION VALLEY EAST LIGHT RAIL TRANSIT PROJECT SITE
(WDID NO. 937S315837)

Mr. John H. Robertus:

On March 17, 2005, the California Regional Water Quality Control Board, San Diego Region ("Regional Board") issued a complaint ("Complaint") against our client, the Metropolitan Transit Development Board, a California public agency operating the Metropolitan Transit System ("MTS"), alleging violations of Order No. 99-08-DWQ, NPDES General Permit for Storm Water Discharges Associated with Construction Activity, for work being performed on the Mission Valley East light rail transit Extension ("Rail Project"). MTS, as owner/operator of the facilities, and the San Diego Association of Governments ("SANDAG"), as the new developer of transit-related capital improvement projects in the region, recognize the significance of the actions taken by the Regional Board as a means to impose measures for perceived deficiencies encountered during the construction of the Rail Project, and as a means to ensure compliance on future projects. Without admitting any liability, MTS and SANDAG share in a desire to reach an acceptable settlement for storm water-related issues associated with the Rail Project through the date of the Complaint.

MTS appreciates the efforts of your staff in negotiating settlement of the allegations of the complaint, and this letter confirms our understanding of the tentative settlement reached between the parties.

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Settlement Terms

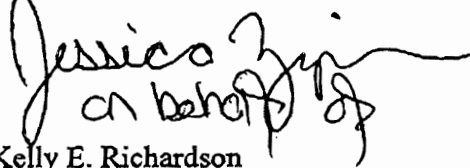
- 1) MTS and SANDAG will commit to comply with the State Board Order No. 99-08-DWQ, NPDES General Permit No. CAS000002 Waste Discharge Requirements for Discharges of Storm Water Runoff Associated with Construction Activity, at all existing and future MTS transit facility construction sites.
- 2) Within 30 days of the Regional Board's ratification of the settlement offer, MTS will tender a check for \$150,000 made payable to the California State Water Resources Control Board ("State Board").
 - a. \$100,000 to be paid into the State Water Pollution Cleanup and Abatement Account; and
 - b. \$50,000 for a Supplemental Environmental Project ("SEP") to improve water quality within the San Diego River watershed, to be approved by the Regional Board at a later date.
- 3) MTS will commit to having all MTS transit construction projects subject to the requirements of the General Permit staffed with MTS or SANDAG professional staff as the Resident Engineer or Field Construction Manager.
- 4) For a period of at least five years after ratification of the settlement offer, MTS and SANDAG will commit to an enhancement of staff awareness through their participation in:
 - a. a one-time comprehensive training course for project development staff on storm water compliance; and
 - b. subsequent yearly update training sessions for key construction staff.
- 5) Prior to June 2006, SANDAG will conduct a workshop for the purpose of developing and/or refining construction language and support on future MTS transit-related improvement projects.
- 6) Upon the Regional Board's ratification of the settlement offer, MTS agrees to waive its right to hearing and right to petition the settlement to the State Board with regard to the violations alleged in the Complaint.
- 7) MTS published a notice in the San Diego Union-Tribune on June 27, 2005, notifying the public of a 30-day review period and soliciting public comments on the terms of the settlement. The exact language was provided by Regional Board staff.

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If you have any questions about the terms of this letter or need further information relating to this settlement offer, please feel free to contact me by telephone at (619) 238-2876 or email at Kelly.Richardson@lw.com.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jessica Zinn", with a flourish extending to the right. Below the signature, the words "on behalf of" are written in a smaller, less legible script.

Kelly E. Richardson
of LATHAM & WATKINS
Attorneys for MTS